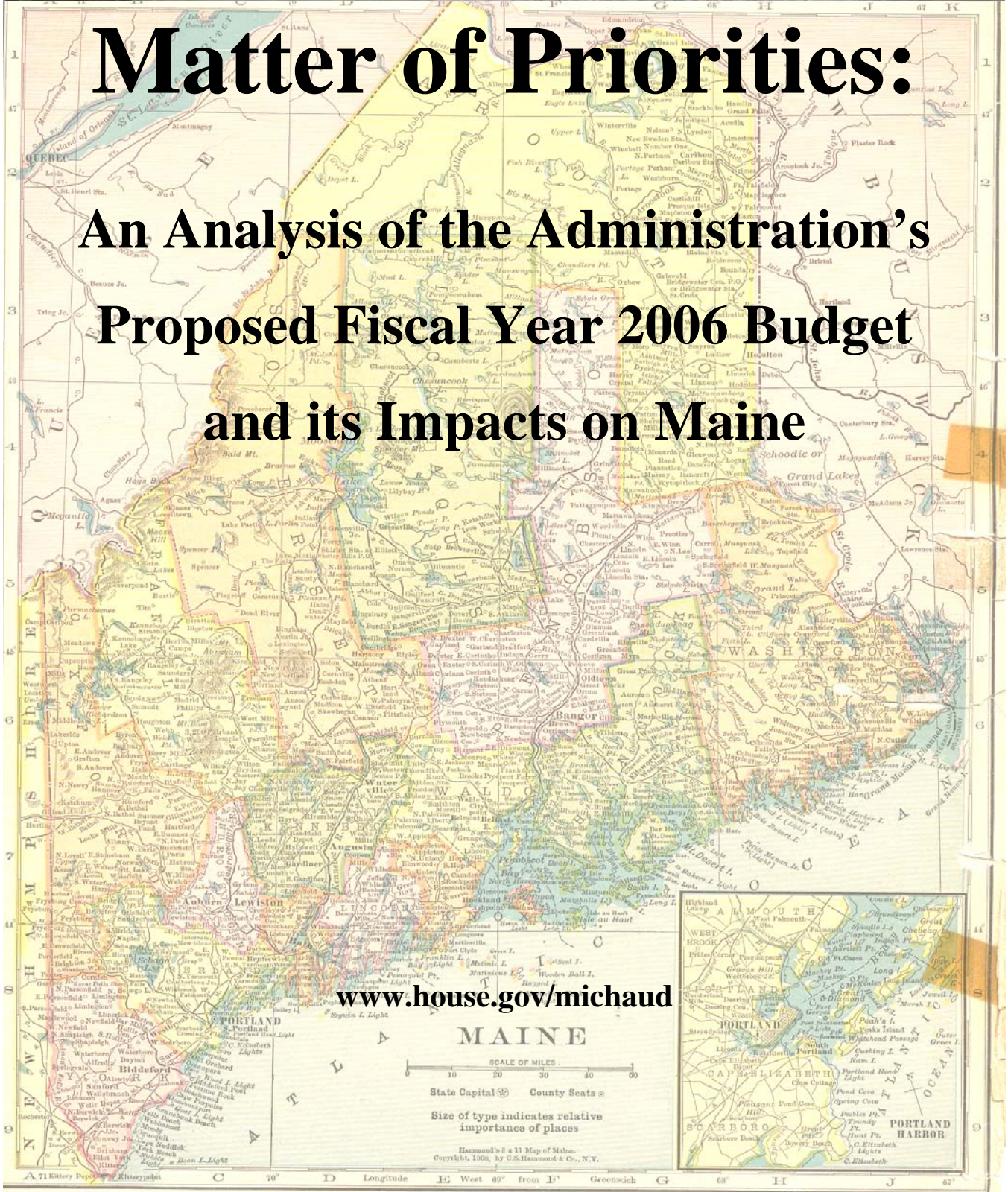




Matter of Priorities:

An Analysis of the Administration's Proposed Fiscal Year 2006 Budget and its Impacts on Maine

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Executive Summary

On February 7th, 2005, President Bush presented Congress with the Administration's *Fiscal Year 2006 Budget of the U.S. Government*. The budget contains funding for many programs that will benefit the State of Maine. The budget includes money for border security facilities, as well as strong funding for the Coast Guard and improved support for the six-year transportation reauthorization. The budget also continues a number of tax cuts that are important for Maine families and businesses. However, the budget poses many daunting challenges for Maine. It sets record deficits, omits many costs, and proposes large cuts in programs that will have significant impacts in Maine. The purpose of this report is to examine both the beneficial and harmful changes the Administration has proposed, and to define how those changes would impact Maine families and citizens, as well as our state and local governments.

Programmatic Changes

The Administration has targeted cuts in discretionary spending as its primary avenue to deficit reduction; it has also proposed some cuts in mandatory spending, and has increased a number of programs as well. The budget proposes the following significant spending changes, among others:

- A \$45 billion cut to Medicaid over the next ten years
- The elimination of 48 education programs, a total cut for 2006 of \$530 million for education programs
- Environmental program cuts of \$500 million for 2006
- Strengthening border security and funding projects in Calais and Jackman
- A 2006 cut of 37.9 percent to Small Business Administration technical assistance programs and a microloan program
- Increased spending support for six-year highway reauthorization legislation to \$284 billion
- Cuts of 95 percent in 2006 for community oriented policing programs

And the following revenue changes:

- Permanent extension of the 2001 tax legislation
- Permanent extensions of tax cuts for capital gains and dividend investment income
- Extension through 2008 of tax credits produced from wind, biomass, timber, agricultural sources, and landfill sources

While making some mandatory spending cuts, the budget's focus is discretionary spending cuts, including the following changes: cuts to the Community Block Grant Program, which funds housing projects and helps restore downtowns throughout Maine; research cuts that will hurt the University of Maine and could result in the closure of some UMaine facilities; shipbuilding reductions for Bath Iron Works' and funding cuts for the Manufacturing Extension Partnership, which will slow job growth in Maine; elimination of 48 education programs that will shift the burden of funding to property tax payers and cut money from Maine's laptop program; cuts in Land and Water Conservation Funding and State Homeland Security Grants that will negatively

impact Maine's budget and ability to fund environmental initiatives and homeland security; and heating and weatherization assistance cuts, which will make it harder for low-income families to pay their bills through subsequent winters.

A review of these budget changes shows that, unfortunately, many of the choices in this budget do not work in the best interests of Maine. Most of the program cuts will have significant, negative impacts on the state—and they seem to outnumber and outweigh the changes in the budget with positive effects in Maine.

These choices are ostensibly made for the important purpose of controlling spending. But unfortunately, these cuts will not be an effective tool for deficit reduction, especially compared to other approaches, and will disproportionately impact many vital needs in our state. Funding choices in the President's budget account for a total of \$9.6 billion in domestic non-homeland cuts below the 2005 enacted level. Over five years, domestic funding is cut by \$179.3 billion below the amount that the nonpartisan Congressional Budget Office estimates is needed to maintain 2005 purchasing power.

But while these cuts will be very painful and will be felt directly by many families in Maine, they comprise only a very small percentage of the federal budget and cannot be the key component of a deficit reduction strategy. Because total non-defense discretionary spending accounts for less than 20 percent of the budget, it is impossible to reach balanced budgets by focusing solely on cutting in this relatively small area.

Discretionary spending cuts must be part of a larger strategy that looks at mandatory spending, revenue, and budget process. The \$9.6 billion in cuts this year is significantly less than the \$26.7 billion that the Federal Government has spent to date on reconstruction and foreign assistance in Iraq and pales in comparison to the money spent paying just the interest on the national debt.

Rather than enacting harmful cuts in good programs that are working well, the Administration should examine ways to promote accountability in reconstruction funds, include a negotiation component in the Medicare prescription drug bill, and close tax loopholes that offer incentives to move jobs overseas. These approaches would offer far more budget savings and avoid the many negative impacts of the proposed budget cuts.

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Prepared by the Office of Rep. Mike Michaud. Sources: Center for Budget and Policy Priorities; Centrists.org; Congressional Budget Office; The Heritage Foundation; House Budget Committee, Majority reports; House Budget Committee, Minority reports; National Priorities Project; President's Fiscal Year 2006 Budget of the U.S. Government; State of Maine agency estimates; University of Maine.

Overview of the Budget

Budget Picture: Will it Move Toward Balance?

The Administration projects a deficit for 2005 of \$427 billion. Unfortunately, this will mark the third year in a row that the deficit has set the all-time record. The Administration has proposed to cut the federal budget deficit in half over the next five years, and its budget, theoretically, accomplishes this. Reducing the deficit is an important goal and should remain a national priority, but the picture that this budget creates is not necessarily realistic due to some major omissions. Because of these omissions, it is highly unlikely that the policies in this budget would reduce the deficit by the stated goal of a \$207 billion deficit by 2010.

The most glaring budgetary omission is the lack of inclusion of any money for operations in Iraq and Afghanistan after FY 2005. While it is not possible to know what the exact costs will be for each year, there is no doubt that they will total more than \$0. Based on a Congressional Budget Office (CBO) analysis, costs for these operations could be as much as \$384 billion over ten years.

Beyond the war in Iraq, there are a number of key elements left out that skew the picture that this budget creates. The budget includes no deficit figures after the first five years, which obscures most of the deficit impact of the Administration's tax proposals. The budget also includes no accounting for an adjustment to the Alternative Minimum Tax (AMT), a policy that most Members of Congress and the President have openly stated must be accomplished. Adjustments will continue to be needed in the AMT over the next ten years to prevent more middle income families from paying this increased tax. This AMT omission increases revenue estimates by \$642 billion over what the actual revenues are likely to be. There is also no accounting for any costs of the Administration's partial Social Security privatization proposals. There are estimates that this would cost \$754 billion from 2009-2015, yet it not included at all in the budget proposal, despite being the focus of the State of the Union Address.

Taken together, these omissions from the budget total \$2 trillion. The result of including these omissions is that instead of deficits being halved, they will likely continue to increase with no return to balance in the foreseeable future. It is critical that the President and Congress make real progress towards reducing the deficit, including costs of military operations, tax cuts, and policy changes. Deficits impact the state of Maine in a number of critical ways, perhaps the most important of which is by crowding out desperately-needed federal support for programs that the Congress has mandated, but not funded. This, in turn, substantially increases Maine's property taxes and sends the state's own budget out of balance.

Going Forward

As the FY 06 budget process advances, it is important that Congress rhetorically join the President in working to cut the deficit; additionally, Congress should advance an honest budget that includes costs of the war in Iraq, all of the tax cuts that will be enacted this year, as well as other major legislation relating to energy policy and Social Security. Only a budget that is an actual representation of the United States' fiscal picture will allow members of both political

parties to move forward with budget process reforms, and examine expenditure and revenue changes that will bring the budget towards balance.

Congress should begin this process by enacting sensible budget reform proposals such as those proposed by the Blue Dog Coalition, including: enacting Pay-As-You-Go (PAY-GO) rules, requiring that every bill include a cost estimate, requiring that any bill authorizing \$50 million or more in new spending be put to a roll call vote, requiring votes on debt ceiling increases, requiring a three-day layover of committee reports before they come to a vote on the floor, and penalizing agencies that can't produce a clean audit of their books. These policies will greatly assist in creating budgets that contain targeted tax cuts, support important programs, and move the budget towards balance.

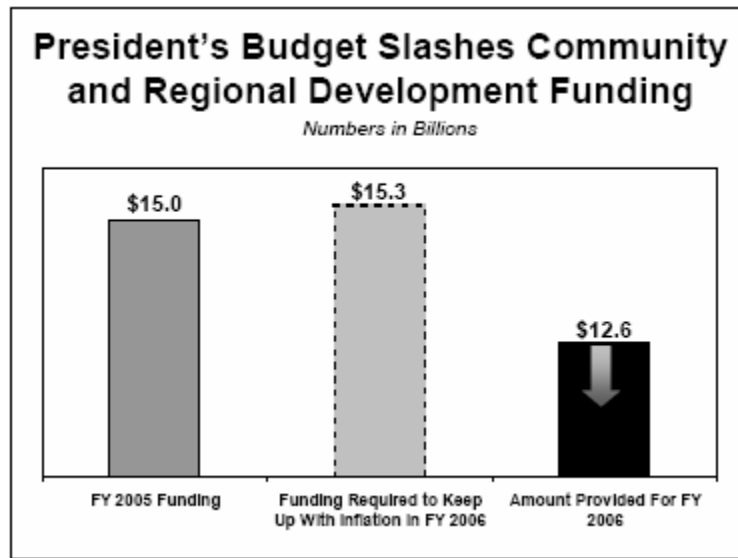
These reforms would assist in the creation of balanced budgets, which would benefit the people of Maine. A reduction in federal deficits would allow the federal government to fund many of the programs in this report, and a reduction of the national debt would reduce the amount of Debt Tax paid by every taxpayer in Maine just to service interest on this debt.

Funding and Policy Priorities and Impacts

Community Development and Rural Communities

The Administration's budget cuts a number of programs that are important to Maine's communities. Federal community and regional development programs provide financial and technical assistance to improve economic conditions among low- and moderate-income communities and aid areas impacted by disasters. Major agencies and programs supported by this funding include the Community Development Block Grant program, the Economic Development Administration, the rural development programs in the

Department of Agriculture, the Bureau of Indian Affairs, and Empowerment Zones and Enterprise Communities – all important to Maine. The President's budget provides \$12.6 billion in discretionary appropriations for the Community and Regional Development function for 2006, a \$2.4 billion (15.9 percent) cut below the 2005 enacted level and a \$2.7 billion (17.8 percent) cut below the amount needed to keep pace with inflation.



Urban and Rural Empowerment Zones/Enterprise Communities Eliminated — These programs provide financial incentives to attract business development and job growth in designated disadvantaged areas. The budget eliminates these programs, which are currently funded at \$22 million.



IMPACT — The Aroostook County Empowerment Zone (ACEZ) was created through this program in 2002. ACEZ is one of only 10 rural empowerment zones in the country and supports businesses and workers in Aroostook County. The President's budget proposes to eliminate funding for empowerment zones.

AmeriCorps — The domestic Peace Corps engages more than 40,000 Americans in intensive, results-driven service each year. AmeriCorps workers teach children to read, make neighborhoods safer, build affordable homes, and respond to natural disasters through more than 1000 projects. The Administration's budget proposes to cut \$13 million from AmeriCorps funding for FY 2006.



IMPACT — In recent years in Maine, more than 350 full and part-time Maine AmeriCorps members have completed service hours in their communities and have generated an additional volunteer force of more than 2,500 individuals for education, housing, and service learning projects.

High Energy Costs Grants Eliminated — The High Energy Costs Grants program provides funds to improve energy facilities among communities that have residential energy costs equal to at least 275 percent of the national average. The budget eliminates the high energy costs grants program, which is funded at \$51 million for 2005. The budget does not consolidate this program with any other initiative.



IMPACT — The Fox Islands Electric Cooperative of Vinalhaven was a 2003 selection for \$2,633,522 in High Energy Cost Grant funds. The funds were targeted for Vinalhaven to improve reliability as the island only had one power connection to the main land and experienced frequent loss of power. Under the proposed budget, other communities in Maine would not have the opportunity to receive money through this important rural program.

Community Development Block Grant (CDBG) Program Eliminated — The CDBG program enables states and localities to target federal formula grants and other financial assistance toward improving housing and economic conditions in low- and moderate-income neighborhoods. The budget eliminates CDBG formula grants and most CDBG set-aside programs.



IMPACT — In FY 2005 a total of \$15 million of CDBG funds came into the State of Maine. Funds totaling \$6.5 million will go to Auburn, Bangor, Biddeford, Lewiston, Portland and South Portland for FY 05. The Administration proposes eliminating all of these funds for FY 2006. Maine CDBG programs have contributed to the Dover-Foxcroft Center Theater, the Jonesport Memorial Library, the Washington County Community Learning Center, and the Unity Head Start Center, among many. In 2004, Ellsworth, Norway, Waterville, and Winslow have received money for downtown improvement programs, and Etna, Greenville, Limestone, Palmyra, Caribou, Van Buren, and Waterville have received money for housing rehabilitation.



CDBG funds have been critical for downtowns like Norway's.

Rural Housing and Economic Development Program Eliminated — The Rural Housing and Economic Development program provides funds to improve housing and economic

development among rural communities. The budget eliminates the Rural Housing and Economic Development program, which is currently funded at \$24 million.



IMPACT — In recent years, this program has brought more than \$500,000/year in funding to Maine, assisting many communities, including the towns of Bangor, South Paris, Machias, and Penobscot.

Economic Development

Manufacturing Extension Partnership (MEP) — The budget provides \$47 million for the Manufacturing Extension Partnership, a 56.5 percent cut from the 2005 level of \$108 million. This program, which also receives state, local, and private funding, provides information and consulting services to help small businesses adopt advanced manufacturing technologies and business practices that will help them compete in a global market.



IMPACT — According to a survey of Maine MEP client businesses, the sum of direct, indirect, and induced effects of participation in the MEP program suggests that small- and medium-size manufacturing companies that increased or retained jobs or sales and/or increased investments with assistance from the Maine MEP are responsible for: Creating or retaining 843 jobs that paid a total of \$24.5 million in employee wages and benefits; increasing or retaining economic output worth \$88.8 million; contributing or retaining \$39.8 million of gross state product; generating or retaining \$9 million in additional tax and non-tax revenues at the federal, state, and local government levels, including \$2.8 million at the state and local levels. Cutting MEP funding hurts small businesses and manufacturers in Maine and it slows job growth at a time when we should be investing in the manufacturing sector and in small businesses. Client companies of MEP that have benefited from the program include AM Wood Designs in Bingham, Sappi Fine Paper in Westbrook, Kennebec Tool and Die in Augusta, and Maine Street Flour in Limestone, among many others.

Small Business Loans — The budget continues a policy put in place for 2005 of providing no subsidy funding for Section 7(a) general business guaranteed loans, a program run by the Small Business Administration (SBA). While the budget provides a total Section 7(a) loan volume for 2006 of \$16.5 billion – a \$500 million increase from 2005 – it assumes that the program will be funded entirely through loan fees, which raises costs for entrepreneurs and small businesses.



IMPACT — In fiscal year 2005, \$10.8 million was administered in loans through this program in Maine. Approximately 95% of Maine businesses are

small businesses, and increasing fees for these businesses to receive loans could hurt job creation in Maine.

Bath Iron Works — The budget proposal calls for cutting spending on DD(X) destroyers to be built over the next five years, reducing the number from eight to five. Despite increased defense spending, high costs in Iraq and Afghanistan have forced defense cuts in many high tech programs. The Navy has acknowledged that the reason for this reduction is financial and not strategic.



IMPACT — According to Loren Thompson, a defense analyst at the Lexington Institute, Bath Iron Works will see gradual job reductions under the budget proposal. Internal Navy estimates indicate that Bath Iron Works could lose a third of their combined work force by 2008. While many believe that BIW employment will hold steady until 2009, the long-term future of the yard's employment is made uncertain by this budget proposal.¹

Education

Over the past four years, No Child Left Behind has been underfunded by \$39 billion nationwide below the level authorized by Congress to meet the needs of educating our children. Under the budget, 11,005 children in Maine will go without promised help in reading and math and 8,812 will no longer be able to enroll in the after school programs that boost academic achievement and keep kids safe.

Comprehensive School Reform

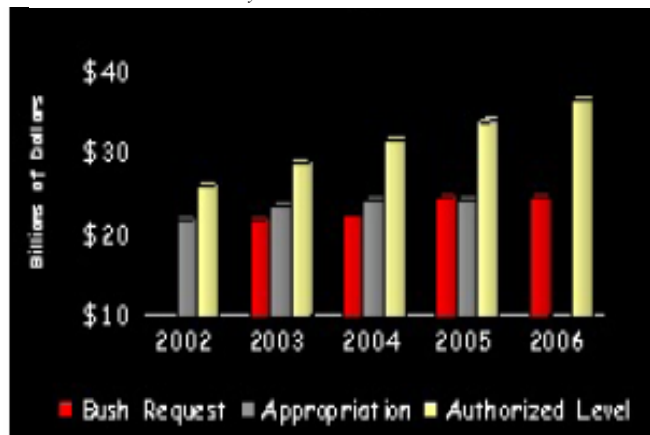
(Title I) — The Comprehensive School Reform program is designed to increase student achievement by assisting public schools across the country with implementing comprehensive reforms that are grounded in scientifically based research and effective practices.



IMPACT — In FY 2005, Maine will receive \$703,775 under the Comprehensive School Reform Initiative. This program in Maine has helped the state to ensure that the high standards of Maine Learning Results are implemented in middle schools and high schools. Regrettably, funding for this program is eliminated in President Bush's FY 2006 budget proposal.


Under Funding of "No Child Left Behind"

Inadequate request for funding through NCLB continue to impose an unfunded mandate on Maine's school systems.




¹ "Bath Iron Works faces potential job cuts under Bush budget." *Globe* [Boston] 7 Feb. 2005.


Educational Technology State Grants — The principal goal of the Educational Technology State Grants Program is to improve students' academic achievement through the use of technology in elementary and secondary schools. It is also designed to assist every student in becoming technologically literate by the end of eighth grade and to encourage the effective integration of technology resources and systems with teacher training and professional development to establish research-based instructional models. The program targets funds primarily to school districts that serve concentrations of poor students.

 **IMPACT** — This program has been eliminated in the Administration's FY 2006 budget proposal. This program was appropriated \$511 million in FY 2005, of which Maine will receive \$2.4 million. From FY 2001-FY 2005, this program has provided Maine with \$14.15 million. The Educational Technology State Grants program serves to expand the Maine laptop program initiative. Maine now provides its 34,000 seventh- and eighth-grade students and 3,000 middle school teachers with laptops under a \$37.2 million four-year contract.

Vocational Education State Grants — The Vocational Education State Grants provides funds to support state-sponsored vocational education programs. These programs, which are implemented in high schools and postsecondary schools, provide students with job-focused education and occupational training. President Bush's education budget eliminates funding for this program.

 **IMPACT** — In FY 2005, Maine will receive \$5.8 million under this program. Future funding would be eliminated in this proposal.

GEAR UP, Talent Search, and Upward Bound — The Administration's budget jeopardizes college attendance for more than 1 million students, while increasing the cost of college for teachers, military service members and law enforcement officers. The President's FY 06 budget eliminates the GEAR UP, Talent Search and Upward Bound programs—which ensure that millions of high risk students succeed in high school and move on to college.

 **IMPACT** — Eliminating Talent Search and Upward Bound programs would represent a 30.75% reduction in total TRIO students served annually and a 43.29% reduction in TRIO funds received by Maine. UMaine's Talent Search projects have provided services to more than 15,000 Maine youth since 1977. More than 9,000 of these "at risk" youth enrolled in college. Maine's Upward Bound projects have also produced excellent results throughout the life of the program.



Education cuts will make it more difficult for Maine students to attend the University of Maine and other colleges.

Perkins Loans — The Federal Perkins Loan Program provides long-term, 5-percent interest loans to students with exceptional financial need. The Administration's budget eliminates the entire \$66 million Perkins Loan program.

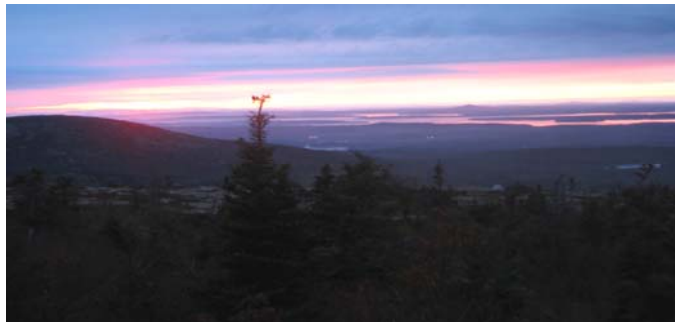


IMPACT — In recent years Maine has received approximately \$10,000,000/year in Perkins Loan funding which has been distributed to approximately 7,000 students each year to help them attend college.

Environment, Forestry, and Agriculture

In the area of natural resources and environment, the Administration's 2006 budget repeats the pattern of each of the last four years. For 2006, the budget significantly cuts funding for programs that protect public health and the environment. The budget provides \$28.0 billion in discretionary funding for these programs, which is \$2.4 billion (8.0 percent) below the 2005 enacted level, excluding supplemental funding, and is \$3.3 billion, or 10.6 percent, below the level needed to maintain current services. These cuts undermine the public's demand to meet certain environmental priorities, and they jeopardize our nation's most treasured resources.

Land and Water Conservation Fund (LWCF) — The Land and Water Conservation Fund Act of 1964 was established to assist federal, state and local governments in the acquisition and/or development of public outdoor recreation facilities. The program currently consists of a state and federal component. The administration proposes to completely eliminate the state portion of the LWCF program.



LWCF funding has been used to purchase and upgrade numerous recreational and conservation projects such as land around Acadia National Park.



IMPACT — State LWCF funding has accounted for millions of dollars coming to Maine since its inception. In recent years, federal funding has been used for many projects in the State, including: a riverfront park in Benton, the Cox Pinnacle Trail in Brunswick, the Calais Skate Park, a riverfront park in Durham, a community playground in mechanic falls, and many others.

Clean Water State Revolving Fund — The Administration claims that the 2006 funding levels continue its commitment to the Clean Water State Revolving Fund. However, the Clean Water SRF is provided only \$730 million for 2006, a cut of \$361 million, or 33.1 percent, from the 2005 enacted level. Studies have consistently shown that the quality of water is one of the leading concerns among the vast majority of Americans and should not be abandoned in the budget.



IMPACT — To date, the Maine CWSRF has provided low interest loans totaling \$351 million to improve Maine's wastewater infrastructure and clean up Maine's surface waters in Augusta, Auburn, Bangor, Bethel, Brewer, Lewiston, Mount Desert, Sanford, Scarborough, Skowhegan and many other communities. A 33% cut in this funding would cut \$2.7 of Maine's \$8.4 million in FY 2005.

Research and Extension Grants — The budget proposes a 50% cut in Hatch Act and cooperative forestry research funding. These funds are allocated to states, typically through universities, to support agricultural and forestry related research.



IMPACT — Since 2000, Maine, largely through the University, has received over \$11 million through Hatch Act and cooperative forestry research funding. The Maine Agricultural and Forest Experiment Station at the University of Maine is dependant on this funding for its research. A 50% cut in this funding could result in the closing of the following facilities: experimental farms, the university forest, diagnostic laboratory, soils analytical laboratory, and ornamental gardens and greenhouses. If these facilities are forced to close, it would result in the loss of 59 staff and 50 graduate students from the Experiment Station.



The viability of the University of Maine's experimental research farms, like the Roger's Farm in Stillwater, will be jeopardized by a 50% cut in applicable agriculture research funding.

Forest Service Economic Action Program Eliminated — The Economic Action Program provides technical and financial assistance to forest-dependent communities and local groups to enhance rural economies through the utilization of forest and related natural resources. The budget proposes elimination of the \$19 million enacted in 2005 for this program.



IMPACT — The Economic Action Program is an important tool for the Department of Agriculture to work with communities that depend on forest products. Economic Action has funded six projects in Maine since 2001, including one with the River Valley Growth Council in Rumford.

Leading Source of Groundwater Contamination Inadequately Addressed — Leaking Underground Storage Tank (LUST) funding is \$73 million for 2006, an increase of \$4 million from the 2005 enacted level. However, there are currently 136,000 underground storage tanks that are leaking petroleum and methyl tertiary-butyl ether (MTBE) and contaminating groundwater and drinking water supplies. This level of funding is insufficient to meet current needs, especially considering that 50 percent of the nation relies on groundwater for its drinking water.



IMPACT — Maine Department of Health and Human Services has estimated that between 1000 and 4300 private wells have MTBE levels above the Maine drinking water standard. MTBE cleanup may cost up to \$29 billion nationwide and millions of dollars in Maine.

Healthcare, Medicare, and Medicaid

The Administration's budget provides \$51.0 billion for appropriated programs for Health in 2006, a cut of \$931 million (1.8 percent) below the 2005 enacted level. Part of this funding cut is due to the elimination of 33 programs worth \$2.0 billion at the Department of Health and Human Services. Maine continues to have 154,000 uninsured residents, and many depend on these programs for assistance.

Deep Cuts for Medicaid — The Administration's budget proposes a net cut of \$44.9 billion over ten years. Cuts of this magnitude cannot be made by simply closing loopholes — the impact will be felt either by shifting costs to beneficiaries or states, or by cutting payments to providers.



IMPACT — These cuts would have a devastating effect on Maine's budget. In recent years, Maine lawmakers have had a difficult time balancing the state budget, and large Medicaid payment cuts would continue to shift the burden of services to the state while providing less federal resources.

Substance Abuse and Mental Health Services Administration (SAMHSA) — The budget funds SAMHSA at \$3.2 billion for 2006, a decrease of \$54 million (1.7 percent) from the 2005 enacted level.



IMPACT — Maine youth continue to have rates of drinking, smoking, and drug abuse higher than the national average, and drug use continues to be a problem in Maine, particularly with the growing OxyContin problem. Among its other purposes, SAMSHA provides grants to treat opiate addiction in rural areas, and cutting funding for SAMSHA could adversely impact Maine.


Severely Cuts Health Professions Training Programs and Freezes Nurse Training Programs — As in prior years, the budget eliminates all funding for health professions training programs, with the exception of programs that expand the number of health professions students from minority and disadvantaged backgrounds. In 2005, these programs received \$300 million, but this year only receive \$11 million, a cut of \$289 million (96.3 percent). The budget provides \$150 million for nurse training programs, a cut of \$1 million below the 2005 enacted level.



IMPACT — Many Maine residents live in federally designated "Health Professions Shortage Areas." Cutting training programs for needed professionals

negatively affects the quality of healthcare that many rural residents can receive due to a lack of health professionals in rural Maine.

Budget Fails to Address Medicare Physician Payment Cut — The budget includes no new major legislative policies for Medicare. Notably, the budget does not address the Medicare payment formula for physicians that will result in cuts to physician payments of around 5 percent for 2006 and further cuts for the following six years.

 **IMPACT** — According to the American College of Physicians, under current law, Maine physicians' losses due to the Medicare reimbursement cuts for 2003-2005 will total about \$56 million or \$17,255 per physician. This comes on top of a 5.4% payment cut which cost Maine doctors a total of \$11.3 million or about \$4,437 per physician in 2002. One in four Maine physicians either has restricted or plans to restrict the number or type of Medicare patients treated. One in three has stopped or intends to stop delivering certain services to Medicare beneficiaries. Additional payment cuts over the next three years could exacerbate these problems and cause significant access problems in Maine. While payment cuts are likely to affect patient access nationwide, problems could be especially acute in Maine, where 36% of family physicians are over the age of 50 and 16% are over 60. These cuts also make it more difficult to attract and retain doctors in our state.

Homeland Security

The President's budget includes \$49.9 billion in total resources for homeland security activities for 2006 — \$2.3 billion for mandatory programs and \$47.6 billion for discretionary programs. Excluding one-time costs for Project BioShield in 2005, however, the budget actually increases funding by \$1.2 billion, or 4.5 percent, over the enacted amount for 2005.

Improves Border and Transportation Security — BTS enforces federal customs and immigration laws and secures our national borders from threats. The budget provides \$16.1 billion for the agency, a \$1.5 billion increase over the 2005 level. The increase goes toward hiring additional border patrol agents, improving border patrol aircraft and other surveillance equipment, and detaining and removing illegal entrants.



The Jackman border station, pictured here in 1963, would be brought into line with post-9/11 security measures in the proposed budget.
Drawn by R.K. Hetcher for General Services Administration, ca. 1963



IMPACT — The budget includes a request for \$50,146,000 for the border station in Calais. These funds, requested through General Services Administration (GSA) accounts, will increase border security in Maine, improve the transportation infrastructure, and create jobs. The budget also includes a \$12,788,000 budget request for the Border Station in Jackman. This money would be used for the construction for new border station to replace the existing facility. The new facility will meet post-9/11 demands on border facilities.

Cuts State Homeland Security Grants — The Administration's budget provides \$1.02 billion for grants to states. This is a \$180 million cut from FY05. More importantly, the Department of Homeland Security will move away from the Patriot Act allocation formula that guaranteed each State a baseline of 0.75% of the total appropriation. Instead, States will receive a minimum of 0.25% of the total appropriation.



IMPACT — This is a direct cut of \$5.1 million to the Maine Emergency Management Agency's baseline grant. In addition, a 0.75% funding guarantee would have ensured at least \$7.65 million for Maine. A 0.25% guarantee instead provides a minimum of \$2.55 million. Small states with large border and coastal areas should continue to receive the 0.75% funding guarantee that exists in current law, but that is not guaranteed in this budget.

Firefighter Assistance Grants — The Administration's budget abandons its commitment to first responders, proposing to cut FIRE Grants by \$215 million. These grants are critical for local fire departments and help alleviate burdens on municipal budgets and property tax payers.



IMPACT — Maine communities have had great success in securing much needed equipment funding through the FIRE Grant program. With less funding available in this program, many will be forced to turn to the Homeland Security Grant and further strain Maine Emergency Management Agency's ability to fund critical priorities.

Coast Guard — The President's budget provides \$8.1 billion for the Coast Guard, also now part of the Department of Homeland Security. Of this amount, \$6.9 billion is appropriated funding and \$1.2 billion is mandatory spending, which consists mostly of retirement pay. The 2006 appropriated funding is \$644 million (10.2 percent) higher than 2005 enacted level. As was the case with last year's budget, the funding increase is attributable to the Coast Guard's expanded role in homeland security.



Increased funding for the Coast Guard will allow for the continued operation of vessels like the Thunder Bay, based in Rockland.



IMPACT — Increased resources for the Coast Guard will help Maine secure its borders and is a positive for many aspects of the State's marine economy.

Increased Taxes on Airline Passengers — The Administration proposes to increase 22 airline security passenger fees to cover a larger portion of screening costs. On a typical one-way ticket, the passenger security fee will rise from \$2.50 to \$5.50. For passengers flying multiple legs on a one-way ticket, the fee will rise from \$5.00 to \$8.00.



IMPACT — Total enplanements and deplanements in Maine numbered 2,093,132 last year. The proposed airline tax could add up to \$18 million in taxes to people traveling to and from Maine by plane. Any tax that increases the cost of visiting Maine decreases tourism and hurts Maine's economy.

Job Training and Vocational Education

Job Corps and YouthBuild — The budget cuts funding for Job Corps by \$29 million below the 2005 enacted level of \$1.5 billion. It transfers the \$59 million YouthBuild program from the Department of Housing and Urban Development to the Department of Labor.



IMPACT — Maine is home to the Loring Job Corp Center and the Penobscot Job Corps center. Reducing funding for Job Corp centers will slow Maine's ability to recover from manufacturing job losses.

Vocational Education — The Administration's budget eliminates \$1.2 billion in vocational education funding in 2006. The budget eliminates Vocational Education State Grants (\$1.19 billion), Tech-Prep Education State Grants (\$105.8 million), Vocational Education National Programs (\$11.8 million), Occupational & Employment Info (\$9.3 million), and Tech-Prep Demonstration (\$4.9 million).



IMPACT — At a time when Maine is retraining thousands of people in its workforce and training others to enter a globally competitive workforce, vocational education cuts that will equal \$5,838,000 for Maine will hurt Maine's ability to train its future workforce.

Law Enforcement

The Administration budget provides \$38.7 billion in discretionary funding for the Administration of Justice function of the budget, the same amount as the 2005 enacted level. The budget increases several federal law enforcement programs that are tied to homeland security. However, the 2006 budget, like previous budgets submitted by the Administration, significantly cuts state and local law enforcement programs.

The Community Oriented Policing Services (COPS) Program Nearly Eliminated — COPS provides grants and other assistance to help communities hire, train, and retain police officers and to improve law enforcement technologies. The budget provides \$118 million for COPS for 2006. Of the \$118 million, however, \$96 million is funding carried over from previous years, and only \$22 million is new budget authority. The 2005 enacted levels included \$598 million available funds, of which \$499 million was new budget authority. The budget cuts COPS available funds by \$480 million (80.3 percent) below the 2005 level, and cuts COPS new budget authority by \$477 million (95.6 percent) below the 2005 level.



IMPACT — In recent years, Maine has received over \$4.5 million/year in COPS grant funding, and the COPS program has put hundreds of police officers on Maine streets since its inception. Reducing funds for police officers provides another burden on Maine municipalities.

Byrne Memorial Justice Assistance Grants — The Administration proposes to eliminate the Edward Byrne Memorial State and Local Law Enforcement Assistance Grant Program, a \$529 million reduction. The Edward Byrne grants are a partnership among Federal, State, and local governments to create safer communities. The grants have a particular focus on combating violent and drug-related crime.



IMPACT — In the past, Maine has been awarded \$3 million under this program. Under the Administration's proposed budget, the program would be eliminated. Maine continues to battle an increasing drug problem in some regions, and these grants are necessary to assist local police departments in this capacity.

Social Security, Seniors, and Low-income Families

Privatization Plan Weakens the Social Security Trust Fund — The Social Security Trustees project that the system will run cash surpluses until 2018 under current law. Trust fund assets will be sufficient to cover full benefits until 2052, according to the non-partisan Congressional Budget Office's projections. The Administration's private account plan would push Social Security into cash deficits starting in 2012 and would cause the trust fund to become exhausted 21 years earlier, in 2031, according to preliminary estimates.

During his State of the Union address, the President listed several options for bringing Social Security back to balance, all of which involved benefit cuts. Because the Administration's plan to divert payroll taxes to private accounts would worsen Social Security's finances, his plan would force larger benefit cuts than would otherwise be needed to balance the system. Moreover, these benefit cuts would apply to everyone, not just the workers who opt for the private accounts. These across-the-board benefit cuts

would be especially harsh for disabled workers and survivors of workers who die young, because the workers would not have had a full career's worth of contributions to their private accounts to help soften the blow.



IMPACT — Maine's 2nd Congressional District ranks 14th out of 436 for its rate of return on Social Security investment, according to the Heritage Foundation. Most Mainers depend on their full Social Security benefits for retirement. The Administration's plan for partial privatization would weaken the system, reduce benefits, and add trillion of dollars to the national debt.

Cuts Low-Income Energy Assistance — The budget provides \$2.0 billion for the Low-Income Home Energy Assistance Program (LIHEAP), a cut of \$182 million, or 8.3 percent, below the 2005 level (including contingency funding). LIHEAP provides help with energy bills to about 4.5 million households each year. About 35 percent of LIHEAP households include a member 60 years of age or older and about half include a member with a disability.



IMPACT — In the 2003-2004 heating season, LIHEAP helped approximately 47,000 low-income Mainers heat their homes. An 8.3 reduction in LIHEAP funds would cut over \$1 million in direct heating assistance for Maine. The 2004-2005 heating season has been noted for its high home heating oil prices. Now is precisely the wrong time to cut LIHEAP funding.

Weatherization Programs — The budget includes \$298 million for Weatherization Programs, which help low-income Americans improve the energy efficiency of their homes, a cut of nearly \$11 million (3.5 percent) from the 2005 appropriated level.



IMPACT — Since 2000, Department of Energy weatherization programs have weatherized more than 2500 homes in Maine. In recent years, this program has brought in \$3 million/year for weatherization in Maine. This money helps low-income families and reduces future energy costs.

Transportation

The President's budget provides \$57.5 billion in appropriated budgetary resources (budget authority plus obligation limitations) for 2006. This is \$490 million (0.8 percent) below the 2005 enacted level, as calculated by the Office of Management and Budget.

Surface Transportation Reauthorization

— The President's budget provides for a six-year transportation authorization bill of \$284 billion, dubbed the Safe, Accountable, Flexible, and Efficient Transportation Equity Act (SAFETEA). This is \$28 billion over the Administration's reauthorization proposal

from last year. For 2006, the President's revised SAFETEA proposal provides \$34.7 billion for the Federal-Aid Highway Program. The Transportation Equity Act for the 21st Century (TEA-21) expired on September 30, 2003. Since then, surface transportation programs have been operating under a series of short-term extensions, the most recent of which (the sixth overall) provides funding through May 2005. Last year, House and Senate transportation reauthorization conferees were unable to bridge the \$62 billion gap separating the Administration's proposal of \$256 billion on the low side and the Senate's \$318 billion proposal on the high side.

108th Congress	
TEA-21 Reauthorization Proposals	
	2004-2009
Administration	\$256 billion
House	\$284 billion
Senate	\$318 billion



IMPACT — In the House version of this bill in the 108th Congress, Congressman Michaud secured funding of \$47,000,000 for projects in Maine. For these projects to be funded in the 109th Congress, it is essential that at least \$284 billion is authorized for SAFETEA. These projects include: the Waldo-Hancock Bridge, Lewiston/Auburn Downtown Connector, Penobscot Riverfront Development, Route 2 Improvements from Bethel to Gilead, Improvements to Route 108 to enhance access to business park in Rumford, Plan and construct North-South Aroostook highways, to improve access to St. John Valley, including Presque Isle Bypass and other improvements, among other projects. It is good news for people and businesses in Maine that the Administration has decided to increase the level of transportation funding that it will support.

Funding Cuts for the Essential Air Service (EAS) and Small Community Air Service Programs

— The EAS program provides financial assistance to rural communities geographically isolated from hub airports so that they may operate smaller airports. The President's 2006 budget once again cuts funding more than 50 percent for the EAS program by establishing a \$50 million cap. Congress has consistently rejected the Administration's proposal.



IMPACT — EAS has enabled continued passenger service at the Augusta State Airport, Hancock County-Bar Harbor Airport, Knox County Airport in Rockland and Northern Maine Regional Airport in Presque Isle. In 2003, those airports handled more than 75,000 passengers. It is likely that one or more of these airports could not support commercial air service without EAS funding.

Veterans Benefits and Services

The Administration's budget raises health care costs for many of the 154,590 veterans in Maine, increasing drug co-payments and imposing new enrollment fees that will cost veterans more than \$2 billion over five years and drive more than 200,000 veterans out of the system nationally. The budget continues the Disabled Veterans Tax, impacting 2,038 veterans in Maine.

Requires an Enrollment Fee for Priority Level 7 and 8 Veterans — For the third straight year, the President's budget imposes a \$250 annual enrollment fee for medical care on Priority 7 and Priority 8 veterans. These are veterans without service-connected disabilities rated above zero percent that also have incomes above VA means-tested levels.



IMPACT — There are over 12,000 Priority 7 and Priority 8 veterans in Maine. The VA has estimated that a \$250 enrollment fee would drive 5,800 veterans out of the VA healthcare system. The remaining veterans would pay a total of \$1.65 million/year in enrollment fees. Veterans who have served the country should not have to pay hundreds of dollars simply to participate in the VA system.

Increases Co-payments for Priority Level 7 and 8 Veterans — Once again, the President's budget attempts to increase pharmacy co-payments for Priority 7 and 8 veterans from \$7 to \$15. The budget assumes five-year savings of \$898 million from this proposal. Congress rejected this proposal in the last two budgets.



IMPACT — The burden of budget cuts should not fall on Maine veterans who need prescription drugs. The Federal Government should do everything in its power to lower the costs of prescription drugs, not force more than 12,000 veterans to more than double their drug co-pays.



The veterans' budget provides \$762 million less than the non-partisan Congressional Budget Office estimates is needed to maintain 2005 purchasing power at facilities like Togus.

Reduces Eligibility for State Veterans' Homes

— The proposed budget revises the eligibility requirements for the state veterans' homes so that the vast majority of veterans who reside in state veterans' homes would be ruled ineligible for per diem benefits.



IMPACT — Maine veterans' homes estimate that this change would cost them \$4.7 million annually and render 85% of veterans in Maine veterans' homes ineligible for per diem payments, potentially increasing costs for care and placing them on veterans. This could result in veterans leaving the system and possibly the closure of some homes.